

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

PHASE FOUR INDUSTRIES, INC., )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
MARATHON COACH, INC., )  
 )  
Defendants. )  
\_\_\_\_\_ )

Case No.: C- 04-4801 JW PVT  
Related Cases C-05-0748 JW PVT  
C-04-5105 JW

**ORDER GRANTING IN PART AND  
DENYING IN PART MOTION TO  
COMPEL DISCOVERY**

**I. INTRODUCTION**

In this action, plaintiff Phase Four Industries, Inc. (“PFII”) sued Defendant Marathon Coach, Inc. (“Marathon”) for declaratory judgment of non-infringement and invalidity of U.S. Patent No. 6,607,009 (the “’009 Patent”), which involves waste disposal systems for recreational vehicles.<sup>1</sup> Marathon filed a counterclaim for infringement of the ‘009 patent. Marathon removed related action 04-5105 from state court where PFII sued Marathon for improper disclosure of trade secret information and breach of confidentiality agreement. In the third related action, 05-748, Marathon sued Monaco Coach Corporation (“Monaco”) and PFII for infringement of the ‘009 in the District of Oregon and the case was transferred here.

<sup>1</sup> The holding of this court is limited to the facts and the particular circumstances underlying the present motion.

1 On July 13, 2007, Defendant Marathon moved to compel production of documents and  
2 depositions of PFII and Monaco pursuant to Rule 30(b)(6). On August 21, 2007, the Court  
3 conducted a hearing on the motion to compel discovery. For the following reasons, the Motion  
4 is Granted in Part and Denied in Part as described herein.

## 5 **II. DISCUSSION**

6 On March 24, 2006, this Court issued an Order granting Marathon's Motion to Compel  
7 PFII to produce documents relating to sales of the wastemaster products. In the current motion,  
8 Marathon seeks to compel: 1) production of updated sales information that was produced  
9 pursuant to the March 23, 2006 Order, as well as underlying data sufficient to show cost of  
10 goods and gross profit; 2) production of documents sufficient to reveal the names of corporate  
11 purchasers, for both updated and prior sales information; 3) depositions to take place in Portland;  
12 and 4) sanctions.

### 13 **A. Legal Standard**

14 A party is entitled to discovery if it is relevant to the claims and defenses in a lawsuit  
15 and, for good cause shown, a court may order discovery related to the subject matter of the  
16 litigation. Fed.R. Civ.P. 26(b)(1). Additionally, under the liberal discovery principles of the  
17 Federal Rules, those opposing discovery are required to carry a heavy burden of showing why  
18 discovery should be denied. *Blankenship v. Hearst Corp.*, 519 F.2d 418, 429 (9th Cir. 1975);  
19 *Gray v. First Winthrop Corp.*, 133 F.R.D. 39 (N. D.Cal. Oct 25, 1990).

### 20 **B. Motion to Compel Production of Documents**

#### 21 **1. Updated Sales Information and Cost and Profit Data**

22 Rule 26 imposes a duty to "supplement at appropriate intervals" information provided in  
23 initial disclosures and a duty "seasonably to amend" discovery responses that are incomplete or  
24 incorrect. Fed. R. Civ. P. 26(e). PFII claims that it has provided appropriate supplementation in  
25 the form of a spreadsheet that summarizes sales as well as profit and loss information. Marathon  
26 objects to this document claiming that it is entitled to the underlying documentation and should  
27 not have to rely upon a summary created for this litigation. Marathon clarified that it needed  
28 gross profit information, but did not need to know actual company profit. PFII again objected,

1 claiming that it did not want to reveal sensitive information to Marathon.

2 Accordingly, PFII shall produce all documents showing sales and gross profits and may  
3 designate any confidential documents as “Attorneys’ Eyes Only.” The parties shall make every  
4 effort to agree upon disclosure to appropriate experts. If the parties are unable to reach a  
5 reasonable agreement on disclosure to experts, either side may file a motion to resolve the  
6 dispute. The parties are cautioned that unreasonable behavior will result in sanctions. PFII shall  
7 provide an explanation to Marathon of what documents it is producing and what documents it no  
8 longer possesses. PFII shall produce the profit and cost data in a format that is clear and  
9 comprehensible.

10 2. Customer Names

11 Marathon renews its request to discover the names of all non-individual customers.  
12 Marathon argues that sales to coach retailers will affect the royalty that would be reasonable for  
13 leasing of the patented technology. Because sales to original equipment manufacturers are  
14 relevant to damages, Marathon’s motion is Granted. PFII shall produce documents sufficient to  
15 reveal all sales to all corporate customers. PFII may redact the names of individual customers  
16 and PFII may produce the unredacted information about corporate customers as “Attorneys’  
17 Eyes Only.” PFII shall also update the prior production of sales information to reveal the  
18 identities of all non-individual customers.

19 **C. Motion to Compel Depositions**

20 Marathon originally sought to compel depositions of Monaco and PFII to take place in  
21 Portland. The motion was based on medical restrictions that precluded Marathon attorney Ms.  
22 Legaard from flying. Marathon argued that it noticed the depositions for July, when Ms.  
23 Legaard could have flown to California, and that PFII and Monaco’s inappropriate behavior  
24 prevented the depositions from going forward at that time. Accordingly, Marathon argued that  
25 Monaco and PFII should travel to Portland to prevent Marathon from having to incur the  
26 expense of another attorney having to take the depositions. Since the Motion was filed, two  
27 significant developments have occurred: 1) Judge Ware has vacated the discovery cut-off,  
28 allowing discovery to proceed; and 2) Ms. Legaard has started her maternity leave.

1 In light of these developments, the motion to compel the depositions appears to be  
 2 unnecessary. Discovery is currently open and depositions may be taken. The parties shall meet  
 3 and confer and make every effort to select mutually convenient dates and places for the  
 4 necessary depositions. Absent a showing of undue hardship on Marathon, the depositions shall  
 5 take place according to the Federal Rules of Civil Procedure.<sup>2</sup> If the parties cannot agree on  
 6 dates and times, any party may file a motion for court intervention. Again, all parties are  
 7 cautioned that unreasonable refusals to agree will result in sanctions.

#### 8 **D. Motion for Sanctions**

9 Marathon seeks \$2,602.00 for having to bring this motion. Rule 37 addresses motions to  
 10 compel discovery and provides:

11 If the motion is granted or if the disclosure or requested discovery is provided  
 12 after the motion was filed, the court shall, after affording an opportunity to be  
 13 heard, require the party or deponent whose conduct necessitated the motion or the  
 14 party or attorney advising such conduct or both of them to pay to the moving  
 15 party the reasonable expenses incurred in making the motion, including attorney's  
 16 fees, unless the court finds that the motion was filed without the movant's first  
 17 making a good faith effort to obtain the disclosure or discovery without court  
 18 action, or that the opposing party's nondisclosure, response, or objection was  
 19 substantially justified, or that other circumstances make an award of expenses  
 20 unjust.

21 Fed. R. Civ. P. 37 (a)(4)(A). However, Civil Local Rule 37-3 requires that any motion for  
 22 sanctions in connection with a discovery dispute must be made by a separate motion. Marathon  
 23 did not file a separate motion. Accordingly, Marathon's request for sanctions is denied without  
 24 prejudice.

### 25 **III. CONCLUSION**

26 For the foregoing reasons, IT IS HEREBY ORDERED that:

- 27 1. Marathon's Motion to Compel updated sales documents and  
 28 comprehensible cost and gross profit information is Granted;
2. Marathon's Motion to Compel production of buyer names is granted in  
 part as to corporate buyers, which may be produced "Attorneys' Eyes

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<sup>2</sup>If Marathon claims undue hardship, it must make a detailed showing of why no attorney is capable of taking the depositions in the locations provided in the Federal Rules of Civil Procedure.

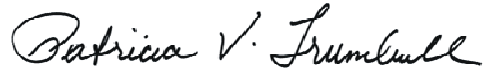
Only.”

3. Marathon’s Motion to Compel Depositions in Portland is Denied without prejudice; and

4. Marathon’s Motion for Sanctions is Denied Without Prejudice.

IT IS SO ORDERED.

Dated: August 23, 2007



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PATRICIA V. TRUMBULL  
United States Magistrate Judge